Message

From: Cirian, Mike [Cirian.Mike@epa.gov]
Sent: 1/14/2015 8:02:41 PM
To: Parker, Robert [Parker.Robert@epa.gov]; Peterson, Cynthia [Peterson.Cynthia@epa.gov]; Chalfant, Mark [Chalfant.Mark@epa.gov]; Austin, Anthony [Austin.Anthony@epa.gov]; Wilder, Scott [Wilder.Scott@epa.gov]
Subject: RE: CFAC Article: CFAC: Who are the responsible parties?

Thanks Rob,

That was nice of the Hungry Horse News to put that together for us....

Mike

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From: Parker, Robert
Sent: Wednesday, January 14, 2015 12:04 PM
To: Peterson, Cynthia; Chalfant, Mark; Austin, Anthony; Wilder, Scott; Cirian, Mike
Subject: CFAC Article: CFAC: Who are the responsible parties?

http://www.flatheadnewsgroup.com/hungryhorsenews/cfac-who-are-the-responsible-parties/article_9cfaeb58-9c06-11e4-8104-97f2c221d369.html

CFAC: Who are the responsible parties?

Posted: Wednesday, January 14, 2015 9:01 am
By RICHARD HANNERS Hungry Horse News | **0 comments**

As the shuttered aluminum smelter site north of Columbia Falls heads toward eventual cleanup, the multi-million dollar question has become: Who will pay for the cleanup? For state and federal environmental officials, the search is on for the "potential responsible parties."

The smelter has changed hands several times, and the contract language for each deal is not public. With that said, here's a quick synopsis of the companies who had a hand in creating and running the plant.

Harvey

First public word about an aluminum plant in the Flathead came from the Harvey Machine Co., a Torrance, Calif. company that produced munitions for the Navy during World War II and was a major manufacturer of aluminum sliding doors by 1946.

With the Big 3 aluminum producers, Alcoa, Reynolds and Kaiser, keeping most of their metal for their own use, Harvey began lining up raw materials for its own aluminum smelter in 1948. By 1950, it had secured rights from the Bonneville Power Administration for power from the future Hungry Horse Dam.

That same year, Harvey secured options on 700 acres at the base of Teakettle Mountain but later acquired a 1,000-acre site near Rose Crossing. The upstart company, however, soon ran into strong resistance from Kaiser and Reynolds, which wanted the Hungry Horse power used elsewhere. They also wanted same surplus World War II potlines Harvey needed.

Harvey's plans for the Flathead unraveled by late 1951 after it was unable to secure a $46 million federal loan to build the plant. Worse, it became the target of a Congressional investigation after being accused of profiteering during World War II by syndicated columnist Drew Pearson.

Anaconda

Legend says the Anaconda Company made 500-year plans. The company first considered getting into the aluminum industry in 1914, using electrical power generated in the Flathead. The giant mining company remained silent while Harvey ran into obstacle after obstacle. Then, in October 1951, Rep. Mike Mansfield met with Anaconda officials in Washington, D.C. to talk about an aluminum smelter in the Flathead.

Anaconda acquired 95 percent of Harvey's interests in November 1951 and publicly announced initial plans to build a $45 million 3-potline smelter at the base of Teakettle Mountain. Anaconda finished buying out Harvey's Montana interests in October 1952.

The Hungry Horse Dam began generating power in 1953, and the Anaconda Aluminum Co. began producing metal in Columbia Falls in August 1955. Aluminum played a big role in Anaconda's future plans, but copper remained its most important product.

In 1971, the Chilean government nationalized the Chuquicamata copper mine, Anaconda's main revenue source, and the Mexican government nationalized Anaconda's Cananea copper mine. The company hung on until January 1977 when, following a hostile takeover attempt by the Crane Co., a weakened Anaconda was acquired by ARCO for $760 million.

ARCO

ARCO was flush with 1970s-era oil money and wanted to diversify, but metals turned out to be a bad choice. In March 1979, ARCO made a provisional agreement with the Federal Trade Commission that allowed the oil company to keep Anaconda if ARCO sold its copper assets in Montana and Arizona and stayed out of the copper business.

In 1980, ARCO closed down its copper smelter in Anaconda and its copper refinery in Great Falls. The copper mines in Butte closed in early 1982.

But aluminum still looked good. In January 1981, ARCO announced plans to build a $400 million aluminum smelter in Sebree, Ky., and in August 1982, the aluminum smelter at Columbia Falls changed its name to ARCO Metals Company.

Aluminum, however, is a fickle market. In 1985, with falling prices, ARCO began to back out of the metals business. The Columbia Falls smelter was put up for sale, with ARCO vice-president Brack Duker overseeing the sale.

The oil business is likewise fickle. In April 2000, ARCO was purchased by BP America and completely merged into BP operations

CFAC

In 1985, Duker and a former aluminum manager, Jerome Broussard, put their heads together to keep the Columbia Falls plant operating, but they needed help financing the deal. In August, the Montana Board of Investment unanimously agreed to provide 80 percent of the $10 million that Duker's and Broussard's Montana Aluminum Investors Corporation needed.

ARCO sold the smelter to the corporation for one dollar in September 1985. The company began operating as the Columbia Falls Aluminum Co., with 50 percent of profits shared with employees.

In December 1992, CFAC accountant Roberta Gilmore filed the first of several lawsuits against Duker and Broussard alleging they were not making profit-sharing payments to the company's employees. A proposed sale of CFAC to Danielson Holding Company was called off, and Duker and Broussard announced "no other buyers are in the wings, and none are being sought."

In January 1993, Duker and Broussard stepped down as CFAC's chairman and president while the profit-sharing lawsuit continued. In March 1995, a federal magistrate ruled that Duker and Broussard were "constructive trustees" and must remain as defendants in the profit-sharing lawsuit.

In September 1995, the federal court ruled that Duker and Broussard could not sell CFAC until the lawsuit was settled, and the company was ordered to continue business as usual. In December 1997, Duker and Broussard offered $97 million to CFAC employees to settle the lawsuit.

Glencore

Glencore AG, then operating as Marc Rich & Co., first considered doing business with CFAC in 1985, and the Swiss company signed a five-year tolling contract with CFAC in 1995.

In May 1998, with the conclusion of the profit-sharing lawsuit, representatives from several large aluminum companies visited CFAC as potential buyers, including Kaiser, Glencore and Pechiney.

Then, in May 1999, Simon Trinca, a senior alumina trader for Glencore, announced Glencore had purchased CFAC. Sen. Max Baucus spoke with Glencore officials ahead of time to make sure the deal was good for both employees and Montana.

Glencore went public for the first time in May 2011, which resulted in a $60 billion valuation for the global commodities trading company. In 2012, Glencore merged with mining giant Xstrata. The combined company had a market value of $90 billion.

The Columbia Falls smelter's connection to ARCO through BP came up two years later when Tony Hayward, the CEO of BP during the Gulf of Mexico oil spill in 2010, became the new permanent chairman of Glencore Xstrata in 2014.